

# KATHLEEN CONNELL

Controller of the State of California

February 28, 1996

## **To the Citizens, Governor and Members of the Legislature of the State of California:**

**I** am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the State of California for the fiscal year ended June 30, 1995. This report reflects my commitment to sound fiscal management and to responsible financial reporting based on nationally recognized standards. This CAFR, which includes the State's independently audited general purpose financial statements as of and for the fiscal year ended June 30, 1995, will provide you, the citizens of California and the elected leadership of the State, and the financial community, with all the information required to fully assess the State's financial position.

As the State's Chief Financial Officer, I shall, in partnership with individuals, citizen's groups and the State's elected leadership, strive to bring fiscal responsibility, stability and accountability to all levels of government. That means a continuing commitment to professionalism, reliability and independence as I report on the State's fiscal systems, procedures and circumstances, and as I audit governmental entities. It also means renewed efforts to establish cooperative relationships between all levels of government based on the principle of fiscal soundness. This is essential in order that our limited financial resources are appropriately allocated so as to address the needs of our citizens. Fiscal responsibility also means safeguarding our State's pension funds, which is one of the most important of my obligations. As State Controller, I shall do everything within my power to ensure that promises made to retirement fund beneficiaries are kept without fail. Our retirees and their families are entitled to no less.

Fiscal responsibility requires fundamental changes in the way government operates. I am prepared to make those changes and, working with you, we can accomplish them. The result will be a government that works better and costs less. To this end, I will continue to vigorously pursue the following initiatives:

- I will work for the passage of legislation requiring performance based audits for State agencies and counties, including reporting publicly on the results of recommended savings and their implementation.
- I will support many of the recommendations of the Constitutional Revision Commission including those requiring a balanced budget and mandatory budget reserve, as well as urge the adoption of a two year budget cycle.
- I will promote the passage of zero based budgeting for State agencies, including public reporting of financial program results compared to annual goals.
- I will continue to pursue the consolidation of the Franchise Tax Board and the Board of Equalization into a single tax agency, the California State Tax Authority,

eliminating duplication and inefficiency and, more importantly, promoting the development of a single, focused policy to further the objectives of economic development and job creation.

- I will continue to advocate the consolidation of the 43 separate State bond financing authorities and committees into nine, providing for more efficient and responsible decision making.
- I will seek authority to consolidate the collection of debts owed to State and local governments with the objective of aggressively pursuing repayment of uncollected debt.
- I will provide the taxpayers with useful and understandable information to judge the financial performance of their government with easy-to-read "Government at a Glance" report cards.
- I will work for the adoption of a California capital renewal plan requiring the development by the Governor -- with the review and approval of the Legislature -- of a comprehensive five year infrastructure plan to upgrade the State's aging and inadequate school, transportation, water, waste and energy facilities.
- I will continue to issue my quarterly reports to provide an independent analysis of the State's economy and to identify opportunities for business growth and development.

This year we brought a more complete approach to the annual report process. This is the first CAFR produced for the State of California. Our Office developed many new systems to produce the additional required schedules and to streamline the preparation process. As a result, this report will allow a more detailed comparison of California's finances with the finances of other governments already producing a Comprehensive Annual Financial Report. Responsibility for the accuracy of data, and the completeness and fairness of the presentation, including all disclosures, rests with the State. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that fairly presents the financial position and operation of the various funds, account groups and component units of the State.

This Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial and Statistical. The Introductory Section, which is unaudited, includes this letter of transmittal and my financial overview. The overview presents a summary of financial data that will be useful in the evaluation of the fiscal condition of the State. The Financial Section includes the general purpose financial statements and notes to the financial statements, which are audited. The Financial Section also includes the combining fund and account group financial statements and schedules, which are presented for the purposes of additional analysis. The Statistical Section, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis.

We wish to express our appreciation to all State agencies for their help and cooperation in connection with the compilation of this report. We also wish to thank the State Auditor and his staff for their audit of the financial statements contained in this report. This CAFR could not have been prepared without the dedication and professionalism demonstrated by my staff.

KATHLEEN CONNELL  
California State Controller